

MERCHANTS FINANCIAL GROUP, INC.
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

April 25, 2024

The Annual Meeting of the Shareholders of Merchants Financial Group, Inc., a Minnesota corporation (the “Company”), will be held on Thursday, April 25, 2024, at 4:00 p.m. (local time). The annual meeting will be held in person and virtually over the Internet. We invite all to attend in person but if you choose, you will be able to attend the virtual annual meeting, vote your shares electronically and submit your questions during the live webcast of the meeting. If you are interested in virtual attendance, please e-mail shareholderrelations@merchantsbank.com by 1:00 pm Central time on the day of the meeting. Requests received after that time will not be accepted. Upon verification of your 16-digit control number on your proxy card, you will be provided the login information. The meeting is being held for the following purposes:

1. To elect three members of the Board of Directors for a term of three years, to serve until their successors are elected;
2. To approve a non-binding advisory vote on the Company's appointment of its independent registered public accounting firm;
3. To transact such other business as may properly be brought before the meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on February 26, 2024 as the record date for the determination of the shareholders entitled to notice of, to attend, and to vote at, the meeting. Accordingly, only shareholders of record at the close of business on that date will be entitled to attend and vote at the meeting, or any adjournments thereof.

TO ENSURE YOUR REPRESENTATION AT THE MEETING, THE BOARD OF DIRECTORS OF THE COMPANY SOLICITS YOU TO MARK, SIGN, DATE AND RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED ENVELOPE. YOUR PROXY MAY BE REVOKED AT ANY TIME BEFORE IT IS EXERCISED. IF YOU ARE ABLE TO ATTEND THE MEETING AND WISH TO VOTE YOUR SHARES PERSONALLY, YOU MAY WITHDRAW YOUR PROXY AND DO SO.

IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDERS' MEETING TO BE HELD ON APRIL 25, 2024.

This Notice of Annual Meeting, Proxy Statement, and our Annual Report to Shareholders for the fiscal year ended December 31, 2023, are available online and may be accessed at www.proxyvote.com. Use your 16-digit control number and you will be taken to our hosted area. In accordance with applicable rules, we do not use “cookies” or other software that identifies visitors accessing these materials on this website. *We encourage you to review the proxy materials before voting.*

Date: March 25, 2024

By Order of the Board of Directors



Merchants Financial Group, Inc.
102 E. 3rd Street
Winona, MN 55987

Gregory M. Evans
Chief Executive Officer and President

**PROXY STATEMENT FOR THE ANNUAL MEETING OF SHAREHOLDERS OF
MERCHANTS FINANCIAL GROUP, INC.**

TO BE HELD ON APRIL 25, 2024

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MERCHANTS FINANCIAL GROUP, INC.
102 E. 3RD STREET
WINONA, MINNESOTA 55987

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS

To Be Held on April 25, 2024

This Proxy Statement is furnished to shareholders of Merchants Financial Group, Inc. (the “Company”) in connection with the solicitation of proxies by the Board of Directors of the Company for the Annual Meeting of Shareholders to be held in person at 102 East Third Street, Winona, Minnesota 55987, and virtually over the Internet on Thursday, April 25, 2024, at 4:00 p.m., local time, and any adjournments thereof. This Proxy Statement and form of Proxy enclosed herewith are first being sent to the shareholders of the Company entitled to vote at the Annual Meeting on or about March 25, 2024.

General Information about the Meeting and Voting Securities and Procedures

Who may vote at the meeting?

The Board of Directors has fixed the close of business on February 26, 2024 as the record date for the determination of shareholders who are entitled to notice of and to vote at the meeting. You are entitled to one vote for each share of common stock you held on the record date, including shares:

- held directly in your name; and
- held for you in an account with a broker, bank or other nominee (shares held in “street name”).

How many shares must be present to hold the meeting?

The presence in person or by proxy of a majority of the Company’s common shares entitled to vote at the Annual Meeting will constitute a quorum for purposes of holding the meeting and conducting business. On the record date there were 8,178,741 shares of the Company's common stock outstanding, which includes unvested shares of restricted stock entitled to voting rights. Each holder of the outstanding shares and restricted stock grants, totaling 8,178,741 shares, is entitled to one vote per share. Your shares are counted as present at the meeting if you:

- are present and vote in person at the meeting; or
- have properly submitted a proxy card prior to the meeting.

Abstentions and broker non-votes are counted for purposes to determine the presence or absence of a quorum for the transaction of business at the meeting.

What proposals will be voted on at the meeting?

There are two proposals scheduled to be voted on at the meeting: (i) the election of members to serve on the Company Board of Directors; and (ii) an advisory vote on the selection of our independent registered accounting firm, which gives you the opportunity to endorse or not endorse the Company’s appointment of the independent registered public accounting firm.

Who is requesting my vote?

The solicitation of proxies on the enclosed form is made on behalf of the Board of Directors of the Company and will be conducted primarily through the mail. Please mail your completed proxy in the envelope included with these proxy materials. You may also vote by phone or online. Instructions for online and phone voting are on the proxy card provided. In addition to the use of the mail, members of the Board of Directors and certain officers and employees of the Company or its subsidiary

may solicit the return of proxies by telephone, facsimile, and other electronic media or through personal contact. The directors, officers and employees that participate in such solicitation will not receive additional compensation for such efforts but will be reimbursed for out-of-pocket expenses. The cost of preparing, assembling and mailing this Proxy Statement, the Notice of Meeting and the enclosed proxy will be borne by the Company.

What vote is required for the proposals to be approved?

- Proposal One - Election of Directors. The three director nominees receiving the most votes for election will be elected directors.
- Proposal Two - Approval of the Appointment of RSM US LLP as our independent registered public accounting firm. The affirmative vote of a majority of the shares of common stock represented and entitled to vote on the proposal, if those shares represent more than 25% of the shares outstanding on the record date, is sufficient to approve the ratification of RSM US LLP.

What are the effects of abstentions and broker non-votes on each proposal?

If you hold your shares in a trust or brokerage account (sometimes referred to as holding shares in “street name”) please note that your bank or brokerage firm has no discretionary voting authority with respect to Proposal One, and therefore cannot vote on this proposal in the absence of your instructions. As a result, unless you direct your broker on how to vote your shares with respect to this proposal, your shares will remain un-voted on Proposal One. Shares held in street name for which no voting instructions have been provided by the beneficial owner (and that are not voted by the broker pursuant to discretionary voting authority) are generally referred to as “broker non-votes.”

Shareholders may either vote FOR or WITHHOLD authority to vote for each nominee for the Board of Directors. Shareholders may vote FOR, AGAINST or ABSTAIN non-binding advisory vote on the Company's appointment of its independent registered public accounting firm.

If you vote ABSTAIN or WITHHOLD, your shares will be counted as present at the meeting for the purposes of determining a quorum. If you ABSTAIN from voting on a proposal other than Proposal One, your abstention has the same effect as a vote against that proposal. If you WITHHOLD authority to vote for one or more of the nominees for director, this will have no effect on the election of any director from whom votes are withheld.

How does the Board recommend that I vote?

The Board of Directors urges you to read the Proxy Statement carefully and then vote your shares for the Annual Meeting. The Board of Directors recommends that you vote **FOR** each of the Director nominees named in this Proxy Statement and **FOR** approval of Proposal Two.

If the accompanying proxy is properly signed and returned and is not withdrawn or revoked, the shares represented thereby will be voted in accordance with the specifications thereon. If the manner of voting such shares is not indicated on the proxy, the shares will be voted **FOR** the election of the nominees for Directors named herein and **FOR** the approval of Proposal Two. Your shares will also be voted in the discretion of the Proxy Committee on any other business properly brought forth at the Annual Meeting.

If your shares are held in street name, your bank or broker is not permitted to discretionarily vote on your behalf in the absence of voting instructions from you for Proposal One. For your vote to be counted on such proposal, you must communicate your voting decisions to your bank, broker or other holder of record before the date of the Annual Meeting.

How do I vote my shares without attending the meeting?

Whether you hold shares directly or in “street name,” you may direct your vote without attending the Annual Meeting.

If you are a shareholder of record, you may vote by signing and dating your proxy card and mailing it to the Company in the envelope provided. You should sign your name exactly as it appears on the proxy card. If you are signing in a representative

capacity (for example, as guardian, trustee, custodian, attorney or officer of a corporation), you should indicate your name and title or capacity.

For shares held in “street name,” you should follow the voting instructions provided by your broker or nominee. You may complete and mail a voting instruction card to your broker or nominee or, in some cases, submit voting instructions to your broker or nominee by telephone or the internet. If you provide specific voting instructions by mail, telephone, or internet, your broker or nominee will vote your shares as you have directed.

How do I vote my shares if I plan to attend the meeting virtually?

Even if you plan to attend the meeting in person or virtually, we encourage you to submit your proxy by mail so your vote will be counted if you later decide not to attend the meeting.

If you choose to attend virtually and wish to vote at the Annual Meeting:

- If you are a shareholder of record, to vote your shares at the meeting you should notify the Company at shareholderrelations@merchantsbank.com in advance of the meeting and upon validation of your identity and verification of the 16-digit control code assigned to you, you will be provided a code that will be used via the chat function to vote your shares.
- If you are a beneficial owner of shares held of record by a broker, bank or other nominee, you will receive voting instructions from your broker, bank or other nominee. You must follow the voting instructions provided by your broker, bank or other nominee in order to instruct your broker, bank or other nominee on how to vote your shares. Beneficial owners of shares should generally be able to vote by returning the voting instruction card to their broker, bank or other nominee, or by telephone or via the internet. However, the availability of telephone or internet voting will depend on the voting process of your broker, bank or other nominee. **As discussed above, if you are a beneficial owner, you may not vote your shares electronically at the annual meeting unless you obtain a legal proxy from your broker, bank or other nominee.**

What does it mean if I receive more than one proxy?

It likely means you hold shares registered in more than one account. To ensure that all of your shares are voted, sign and return each proxy.

May I change my vote?

Yes. A shareholder may revoke his or her proxy at any time prior to the voting thereof by filing with the Secretary of the Company at the Company’s principal office at 102 E. 3rd Street, Winona, Minnesota 55987, a written revocation or a duly executed proxy bearing a later date. A shareholder may also withdraw the proxy at the meeting at any time before it is exercised. The presence of a shareholder at the Annual Meeting will not automatically revoke such shareholder’s previously submitted proxy.

How may I view the proxy statement and annual report electronically?

The Proxy Statement and our Annual Report to Shareholders for the fiscal year ended December 31, 2023 are available online and may be accessed at www.proxyvote.com. Use your 16-digit control number and you will be taken to our hosted area.

When will the proxy and annual report be mailed to shareholders?

This Proxy Statement and the accompanying Notice of Annual Meeting of Shareholders and Proxy are being mailed to the Company's shareholders on or about March 25, 2024.

**PROPOSAL ONE - ELECTION OF DIRECTORS
INFORMATION CONCERNING NOMINEES FOR ELECTION AS DIRECTORS**

The Company currently has ten Directors with staggered terms of office and is asking for approval of nomination for three Directors in 2024. The Board of Directors has no reason to believe that any nominee will be unable to serve as a Director, if elected. However, in case any nominee should become unavailable for election, the proxy will be voted for such substitute, if any, as the Board of Directors may designate.

Each nominee also serves as a Director of the Company’s wholly-owned subsidiary, Merchants Bank, National Association (the “Bank”), which is a commercial bank. The Company anticipates that, following the election of the nominees set forth below, the nominees and all other Directors of the Company, will continue to serve as Directors of the Bank. The Directors of the Bank are elected by the vote of the Company as the sole shareholder of the Bank.

Set forth below are the names of the three persons nominated by the Board of Directors for election as Directors of the Company at the 2024 Annual Meeting, along with certain other information concerning such persons.

Directors Serving Until the 2027 Annual Meeting

Name and Year First Became Director	Age	Positions & Offices Held With Company	Principal Occupation or Employment During the Past Five Years and Education Pertaining to Board of Director Qualifications
Michael F. Cichanowski 2003 – Company 1998 – Bank	75	Director	Founder, Owner, and CEO of Wenonah Canoe. Mr. Cichanowski has been on the Winona Port Authority for 30 years and the President for over 20 years. For 2023, Mr. Cichanowski served as a member of the Risk Committee and Audit Committee.
Ann E. Merchlewitz 2018 – Company 2002 – Bank	65	Vice Chair of the Board	J.D., Senior Vice President and General Counsel for Saint Mary’s University of Minnesota. Ms. Merchlewitz is an attorney who has practiced law in the higher education field for over 30 years. For 2023, Ms. Merchlewitz served as Vice Chair of the Board, Chair of the Governance & Nominating Committee and Audit Committee.
Bruce E. Ryan 2006 – Company 2003 – Bank	65	Director	Founder, Owner and CEO of Ryan Windows and Siding, a family-owned construction company providing quality products and superior service. Mr. Ryan is also owner of Ryan Properties of Rochester LLC, River Bend LLC, and several other property ownership companies focusing on warehousing, retail, hospitality and housing development. He is a past President of Ronald McDonald House and volunteers there and with Hiawatha Homes. For 2023, Mr. Ryan served as Vice Chair of the Compensation/Personnel Committee, the Vice Chair of the Bank Charter Directors Trust Committee and serves as Lead Advisor of the Rochester Advisory Board.

INFORMATION CONCERNING DIRECTORS OTHER THAN NOMINEES

The following tables set forth certain information with respect to Directors of the Company who will continue to serve as Directors subsequent to the 2024 Annual Meeting and who are not nominees for election at the 2024 Annual Meeting.

Directors Serving Until the 2025 Annual Meeting

Name and Year First Became Director	Age	Positions & Offices Held With Company	Principal Occupation or Employment During the Past Five Years and Education Pertaining to Board of Director Qualifications
<p>Molly K. Jungbauer 2022 – Company 2022 – Bank</p>	<p>59</p>	<p>Director</p>	<p>Ms. Jungbauer is Chief Executive Officer and co-owner of Hollstadt Consulting, Inc. She is a CPA and previously was the Controller for the Minnesota Wild (2008-2012) and a practicing CPA with Hoskins & Associates public accounting firm (1996-2008). She is actively involved in community and professional networking activities as Past Chair for the Minnesota Chamber of Commerce and a member of its Board of Directors, Board member & Treasurer for Caring Bridge, the Advisory Board for the University of Minnesota Carlson School of Management and as Treasurer for the Minnesota Wild Foundation.</p> <p>For 2023, Ms. Jungbauer served as a member of the Audit Committee and Risk Committee. She also serves as a member of the Twin Cities Advisory Board.</p>
<p>John H. Killen 2019 – Company 2018 – Bank</p>	<p>61</p>	<p>Director</p>	<p>Mr. Killen is the President of WinCraft, a Fanatics brand company. Fanatics acquired the stock of WinCraft in December of 2020. Previously, he was the President & CEO of WinCraft since 2017, President & COO since 2000 and his tenure with WinCraft spans over 31 years. He graduated from the University of Kansas with a degree in Journalism and Environmental Studies.</p> <p>For 2023, Mr. Killen served as Chair of the Personnel/Compensation Committee and a member of the Governance & Nominating Committee.</p>
<p>James A. Rogers 2022 – Company 2022 – Bank</p>	<p>57</p>	<p>Director</p>	<p>Mr. Rogers is the Chief Business Development Officer for Mayo Clinic and has been with Mayo Clinic since 2000. He became Mayo Clinic’s first patent attorney in 2000 and has expanded in leadership roles and influence over his 23-year career. In his tenure with Mayo Clinic Ventures, he and his team have grown revenue to over \$100 million, annually. He is and has been actively involved in community and professional networking activities including Lourdes High School, Rochester Area Economic Development, Inc., the Southeast Minnesota Capital Fund, Medical Alley Association and Resoundant. Mr. Rogers has been affiliated with Merchants Bank as a member of the Local Advisory Board of Directors for Rochester since its inception in 2016.</p> <p>For 2023, Mr. Rogers served as Vice Chair of the Risk Committee and a member of the Governance & Nominating Committee.</p>
<p>James A. Trenda 2007 – Company 2015 – Bank</p>	<p>73</p>	<p>Director</p>	<p>Mr. Trenda is the Founder, Owner and President of CP Advisors, LLC. CP Advisors provides contract professional advisory services in accounting, finance, management, and board governance. He joined the Merchants Bank – Twin Cities Charter Board in 2001 and served until its merger to one Charter in 2007. Mr. Trenda is a graduate of the University of Minnesota, Carlson School of Management and was awarded an Evans Scholarship for his undergraduate degree. He is a CPA with a career in public accounting for over 45 years with Arthur Andersen, CliftonLarsonAllen, and CP Advisors. Mr. Trenda is also a Director of the Evans Scholars Foundation/Western Golf Association and Trustee of the Minnesota Golf Foundation.</p>

			For 2023, Mr. Trenda served as Chair of the Risk Committee and a member of the Bank Charter Directors Trust Committee. He also serves as the Lead Advisor of the Twin Cities Advisory Board.
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Directors Serving Until the 2026 Annual Meeting

Name and Year First Became Director	Age	Positions & Offices Held With Company	Principal Occupation or Employment During the Past Five Years and Education Pertaining to Board of Director Qualifications
Gregory M. Evans 2017 – Company 2017 – Bank	61	Chief Executive Officer	Mr. Evans has been with the Merchants organization since 1989 in roles of Marketing Director, Regional President, Chief Banking Officer and as of February 1, 2017, Chief Executive Officer. Prior to beginning his career in banking, Mr. Evans held writing positions for several news publications. He is a graduate of Valparaiso University. He currently serves as a member of the Board of Directors for Winona Health and Chairs that organization’s Finance/Audit Committee. He also serves on the Board of Directors for the Minnesota Bankers Association and its Government Relations Council.
Richard T. Lommen, Jr. 2008 – Company 2015 – Bank	58	Chair of the Board	Mr. Lommen is the Owner-Operator and President of Courtesy Corporation in Onalaska, Wisconsin. Courtesy Corporation is one of the largest McDonald’s franchises in the Midwest. Mr. Lommen graduated from the University of Wisconsin-Madison with a double major in Finance and Accounting; he then went on to earn a law degree at Marquette University Law School. He is involved with charitable organizations including Ronald McDonald House charities and the Boys and Girls Clubs. For 2023, Mr. Lommen served as Vice-Chair of the Governance & Nominating Committee, a member of the Compensation/Personnel Committee, and Ex-officio on all other Committees.
Bradley J. Peterson 2020 – Company 2019 – Bank	62	Director	Mr. Peterson is Chairman of Mississippi Welders Supply Company, which services the MN/WI/IA area with welding supplies and industrial, medical, and specialty gases, and additionally with automated and robotic welding systems; Chairman of Absolute Air, LLC, a consortium of five similar businesses with additional presence in ND and SD, and a gas production facility in Faribault, MN; and Past President of both the Independent Welding Distributors Cooperative and the Gases and Welding Distributor Association, both industry groups with national presence. He is a Winona native and graduated from Northwestern University with degrees in Electrical Engineering and Applied Mathematics. Mr. Peterson served as a surface warfare officer in the United States Navy for eight years of active duty, followed by 22 years of reserve duty, retiring as a Captain. He has 18 years of experience as a director on other area community bank Boards. For 2023, Mr. Peterson served as a member of the Compensation/Personnel Committee and Governance & Nominating Committee.

None of the nominees currently serves, or has served in the past five years, as a director of another company whose securities are registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or whose securities are subject to the requirements of Section 15(d) of the Exchange Act or a company registered under the Investment

Company Act of 1940, as amended. There are no family relationships among the Company's Directors, nominees for Director and executive officers.

The Board of Directors unanimously recommends to the Shareholders a vote "FOR" the election of the above-listed persons as Directors for the Company.

PROPOSAL TWO - NON-BINDING ADVISORY VOTE ON THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors proposes and recommends that the shareholders approve the selection by the Committee of the firm of RSM US LLP to serve as the Company's independent registered public accounting firm for the 2024 fiscal year. The firm has served as independent auditors for the Company since 1990. Action by the shareholders is not required by law in the appointment of an independent registered public accounting firm, but their appointment is submitted by the Audit Committee of the Board of Directors in order to give the shareholders a voice in the designation of auditors. If the resolution approving RSM US LLP as the Company's independent registered public accounting firm is rejected by the shareholders, the Committee will reconsider its choice of independent auditors. Even if the resolution is approved, the Audit Committee in its discretion may direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interests of the Company and its shareholders.

Proxies in the form solicited hereby that are returned to the Company will be voted in favor of this non-binding proposal unless otherwise instructed by the shareholder.

The Board of Directors unanimously recommends to the Shareholders a vote "FOR" the non-binding advisory proposal to approve the appointment of the Company's Independent Registered Public Accounting Firm.

CORPORATE GOVERNANCE AND THE BOARDS OF DIRECTORS

Board of Directors of the Company

The Board of Directors of the Company meets on a regularly scheduled basis. During 2023, the Board of Directors of the Company held an Annual Meeting and five regular meetings and one special meeting. During 2023, all Directors of the Company attended at least seventy-five percent of the total number of meetings of the Board and all of the committees on which these Directors served. Although the Company does not have a formal policy regarding attendance by Directors at Annual Shareholders Meetings, attendance is encouraged. In 2023, nine of the ten of the Company's Directors attended the Annual Shareholders Meeting.

The Board of Directors of the Company has established a committee (the "Governance & Nominating Committee"), which is a joint committee of the Company and the Bank, consisting of six non-employee Directors, which in 2023 were Directors Merchlewitz, Lommen, Jr., Rogers, Killen, Peterson, and Ms. Jennifer Sawyer, a Bank Director, all of whom are considered to be independent. The Governance & Nominating Committee assists in identifying individuals qualified to become Board members, and recommending nominees for Director (including evaluating candidates recommended by shareholders), recommends the corporate governance guidelines applicable to the Company, oversees a bi-annual review of the Board's performance, recommends Director nominees for each committee, recommends a determination of each outside Director's independence under applicable rules and guidelines, oversees the Company's engagement with shareholders and other interested parties concerning governance and other related matters, and oversees reputation risk related to Committee's responsibilities. The Governance & Nominating Committee met six times in 2023. The Board of Directors has adopted a written charter for the Governance & Nominating Committee, a copy of which is available upon request.

The Board of Directors of the Company has established a committee (the "Audit Committee"), which is a joint committee of the Company and the Bank, composed of five non-employee Directors, which in 2023 were Directors Merchlewitz, Cichanowski, Jungbauer and Mr. Richard Falck and Ms. Jennifer Sawyer, Bank Directors. The Audit Committee is responsible for oversight of the engagement of the independent registered public accounting firm and reviews with the independent registered public accounting firm the scope and results of the audits, the Company's internal audit program and accounting controls and the professional services furnished by the independent registered public accounting firm. All five members of the Audit Committee are considered independent as defined under the rules of NASDAQ. Due to their experience as noted above, the Board has determined that Directors Merchlewitz and Jungbauer qualify as Audit Committee Financial Experts under Item 407(d)(5) of SEC Regulation S-K. Director Merchlewitz serves as Chair of the committee. The Audit Committee met four times in 2023. The Board of Directors has adopted a written charter for the Audit Committee. A copy of the charter is available upon request.

The Board of Directors of the Company has established a committee (the "Compensation/Personnel Committee"), which is a joint committee of the Company and the Bank, composed of four non-employee Directors, which in 2023 were Directors Killen, Ryan, Peterson and Lommen, all of whom are considered to be independent. The Compensation/Personnel Committee makes decisions regarding executive officer salaries, bonuses, health plans, contributions to the Merchants Financial Group, Inc. Employee Stock Ownership Plan, and contributions to the Merchants Financial Group, Inc. 401(k) Profit Sharing Plan. The Compensation/Personnel Committee held four meetings during 2023. The Board of Directors has adopted a written charter for the Compensation/Personnel Committee, a copy of which is available upon request.

In 2020, a new committee was established (the "Employee Retirement Benefits Committee"), which is a management committee with Board representation that reports to the Compensation/Personnel Committee. This committee is comprised of the Chief Executive Officer, Chief Human Resource Officer, Chief Financial Officer, Board Chair and the Compensation/Personnel Committee Chair as well as an appointee by the Chief Executive Officer and an appointee by the Chief Human Resources Officer. The Employee Retirement Benefits Committee is responsible for the oversight of the Company's Employee Stock Ownership Plan and 401(k) Savings Plan.

The Board of Directors of the Company has established a committee (the "Risk Committee"), which is a joint committee of the Company and the Bank, consisting of six non-employee Directors, which in 2023 were Directors Trenda, Rogers, Cichanowski, Jungbauer and two rotating members, all of whom are considered to be independent. The Directors not appointed to the Risk Committee have been rotated through the meetings on a quarterly basis. The Risk Committee was separated from the Audit Committee in April 2019 and is responsible for overseeing the Company's overall risk framework, risk appetite and ensuring management is measuring, monitoring and controlling key risks facing the Company, including strategic, credit, market, liquidity, operational, compliance and reputational risks. The Risk Committee met six times in 2023. The Board of Directors has adopted a written charter for the Risk Committee, a copy of which is available upon request.

Board of Directors of the Bank

The business and affairs of the Bank are managed by the Board of Directors of the Bank. All Directors of the Company are also Directors of the Bank. The Board of Directors of the Bank held quarterly meetings in 2023. In 2023, the Board of Directors of the Bank held an Annual Meeting and five regular meetings and three special meetings. During 2023, all of the Directors of the Bank attended at least seventy-five percent of the total number of meetings of the Board of Directors and all of the Directors of the Bank appointed to committees attended at least seventy-five percent of the meetings of the committees on which these Directors served.

The Board of Directors of the Bank has established the Directors Trust Committee, as a standing committee of the Board of Directors of the Bank. Directors Falck, Ryan, Trender and Evans, served on the Directors Trust Committee in 2023. The Directors Trust Committee of the Bank is responsible for overseeing and annually reviewing the operations of the Trust Department of the Bank and the status of all trusts for which the Bank's Trust Department acts in a fiduciary capacity. The Directors Trust Committee met four times during 2023.

Board Leadership Structure and Role in Risk Oversight

The Board of Directors leadership structure has historically separated the function of the Chairperson of the Board of the Company and the Principal Executive Officer. This Company expects this structure to continue in the future with the Chairperson of the Company's Board of Directors being a non-employee Director. The Bank Board similarly separates these functions. This structure promotes good corporate governance by providing a non-management leadership structure that is also encouraged by bank regulators. The Company's Board of Directors has designated Mr. Lommen, Jr. as Chairperson, and he has held this role since 2021. Ms. Ann Merckle was nominated as Vice Chairperson and she has held this role since 2021.

The Company is exposed to risks as part of the normal course of business. The Company has developed a comprehensive framework of programs and processes that apply to the Company and its operations to manage the Company's risk exposure. The Company has established a risk management framework to manage risks and provide reasonable assurance of the achievement of the Company's strategic objectives. The primary risks identified and managed through the framework are strategic risk, liquidity risk, market risk, credit risk, trust risk, information technology and security risk, operational risk, legal risk and reputational risk. The creation of the Risk Committee in 2019 further enhanced the risk management oversight of the Company.

The principal risk management functions of the Board are to oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance with laws and regulations. The Board, through its Risk Committee, has developed a formal plan to address Enterprise Risk Management ("ERM") within the Company. The Company's ERM includes a formal process to identify and document the key risk to the Company and provides a common framework and terminology to ensure consistency in identification, reporting and management of key risks. The Board annually approves, upon the recommendation of its Risk Committee, a Risk Appetite and Tolerance Statement that reflects core business principles and provides the foundation of the Company's risk appetite, which is the aggregate amount of risk the Company is willing to accept in pursuit of its mission. By establishing boundaries around risk taking and business decisions, and by incorporating the needs and goals of its shareholders, regulators, customers and other stakeholders, the Company's risk appetite is aligned with its priorities and goals.

The Board has formed an Enterprise Risk Management Committee ("ERMC") of the Company comprised of the Company's executive team and business unit leaders and is led by the Company's Chief Risk Officer, to help ensure the consistent application of the Company's risk management approach. The primary activities of the ERMC include:

- Annual comprehensive risk assessments for all of the risks identified in the Company's risk management framework;
- Monitoring signals that may indicate possible risk issues for the Company;
- Identifying risks and determining which Company areas or products might be affected;
- Ensuring there are mechanisms in place to specifically determine how risks might affect the Company or its products;
- Monitoring and reporting on risk tolerance thresholds approved by the Board on a quarterly basis; and
- Reviewing the limits, policies, and procedures in place to ensure the continued appropriateness of risk controls.

As part of the risk assessment process, the ERM reports the results of their evaluations to the Risk Committee of the Board of Directors and makes recommendations to the Risk Committee regarding adjustments to controls as conditions or risk tolerances change.

AUDIT COMMITTEE

Audit Committee Report

The Board of Directors has adopted a written charter for the Audit Committee, a copy of which is available upon request.

March 25, 2024

To the Board of Directors:

The Audit Committee consists of the following members of the Board of Directors: Ann E. Merchlewitz, Chair; Richard J. Falck, Vice-Chair; Michael F. Cichanowski, Molly K. Jungbauer and Jennifer R. Sawyer. Each of the members of the Audit Committee is independent.

The Audit Committee has:

- reviewed and discussed the Company's audited financial statements as of and for the year ended December 31, 2023 with its management and RSM US LLP, the Company's independent registered public accounting firm;
- discussed with RSM US LLP the matters required to be discussed by the Public Company Accounting Oversight Board Auditing Standard No. 16; and
- received and reviewed the written disclosures and letter from RSM US LLP required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence and we have discussed with the auditors the auditors' independence.

Based on the reviews and discussions referred to above, we recommend to the Board of Directors that the financial statements referred to above be included in the Company's Annual Report for the year ended December 31, 2023.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

RSM US LLP served as the Company's independent registered public accounting firm for 2023 and the Audit Committee has selected RSM US LLP as the Company's independent registered public accounting firm for 2024, subject to shareholder approval. Representatives of RSM US LLP are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

PROPOSALS BY SHAREHOLDERS

Shareholder proposals intended to be presented at the Annual Meeting of Shareholders to be held in 2024 must be received by the Company no later than November 30, 2023 for inclusion in the Company's proxy statement and form of proxy relating to that meeting. Proposals should be submitted to the Company at its principal executive offices at 102 E. 3rd Street, Winona, Minnesota 55987. Any other proposals from shareholders for presentation at the 2024 Annual Meeting received by the Company after January 31, 2024 will be considered untimely. With respect to such proposals, the Company will vote all shares for which it has received proxies in the interest of the Company as determined in the sole discretion of its Board of Directors. The Company also retains its authority to discretionarily vote proxies with respect to shareholder proposals received by the Company after November 30, 2023 but prior to January 31, 2024, unless the proposing shareholder takes the necessary steps outlined in Rule 14a-4(c)(2) under the Exchange Act to ensure the proper delivery of proxy materials related to the proposal.

BOARD NOMINATING PROCESS

The Company has a Governance & Nominating Committee. In connection with its performance of such nominating functions, the Board of Directors has adopted a written charter, a copy of which is available upon request.

The Governance & Nominating Committee is responsible for the consideration of Director nominees. Each of the Directors, with the exception of Mr. Evans, is independent. If one or more positions on the Board of Directors were to become vacant for any reason, the Governance & Nominating Committee would participate in the selection of a person to fill each such vacancy.

The process by which the Governance & Nominating Committee identifies and evaluates nominees for Director is described below. The size of the Board is established by the Company's Bylaws. In the event any vacancy would reduce the number of Directors to less than nine, the Board will consider various potential candidates for Director. Candidates may come to the attention of the Board through current Board members, shareholders, or other persons. Shareholders who wish to recommend an individual for consideration by the Board as a nominee for election to the Board of Directors should submit a written notice to the Secretary of the Company containing information sufficient for the Board to fully evaluate the experience and charter of the potential candidate. In that respect, the Board recommends that shareholders submit information substantially equivalent to what is required in connection with an outright nomination, as discussed more thoroughly below. Individuals recommended by shareholders for nomination will be evaluated in the same manner as other nominees, and the Board of Directors retains absolute discretion to either approve for nomination or reject any person recommended for consideration by a shareholder.

The Board is not obligated to nominate any particular candidate for election. Candidates will be evaluated at meetings of the Board. In evaluating possible candidates for membership on the Board of Directors, the Board will seek to achieve a balance of knowledge, experience, and capability on the Board and will consider the qualifications of possible candidates based on the criteria described below. Members of the Board should have the highest professional and personal ethics and values, excellent personal and professional reputations, and must satisfy any necessary regulatory requirements to serve as Directors. They should have broad experience at the policy-making level in business, government, education, technology, or public interest. They should be committed to furthering the long-term as well as short-term interest of the Company and its shareholders, and in doing so they should be willing to consider the effect of any action on the Company's shareholders, employees, suppliers, creditors and customers, and in the communities in which the Company and its subsidiary operate. They should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Their service on other boards of public companies should be limited to a number that permits them, given their individual circumstances, to perform responsibly all Directors' duties for the Company. The Board deems it a requirement that members of the Board reside within the trade area of the Bank and the Company. The Board of Directors reserves the right to modify these qualifications from time to time. The Board nominating process has no formal diversity policy. However, the Board of Directors is committed to considering diversity, including experience, diversity of thought, gender, and ethnicity in the nomination process.

Shareholders who wish to nominate an individual for election to the Board of Directors may do so only pursuant to a timely notice in writing to the Secretary of the Company. To be timely, a shareholder's notice shall be delivered to or mailed and

received at the principal executive offices of the Company not less than 120 calendar days before the first anniversary of the mailing date of the proxy statement sent to shareholders in connection with the previous year's Annual Meeting of Shareholders. Such shareholder's notice shall set forth (a) as to each person who is not an incumbent Director whom the shareholder proposes to nominate for election as a Director, (i) the name, age, business address and residence address of such person; (ii) the principal occupation or employment of such person; (iii) the class and number of shares of the Company which are beneficially owned by such person; and (iv) any other information relating to such person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Regulation 14A under the Exchange Act and (b) as to the shareholder giving the notice, (i) the name and record address of such shareholder and (ii) the class and number of shares of the Company which are beneficially owned by such shareholder. The notice must be accompanied by the written consent of each proposed nominee to serve as a director of the Company, if elected.

COMMUNICATION WITH THE BOARD OF DIRECTORS

The Board of Directors has established a process for shareholders of the Company to send communications to the Board. Any shareholder desiring to communicate with the Board or one or more individual Board members may write to the Secretary of the Company at the following address:

Merchants Financial Group, Inc.
Board of Directors
c/o Secretary
102 E. 3rd Street
Winona, MN 55987

The Secretary of the Company has been instructed to forward all such communications to all Board members. The Board of Directors has adopted a policy requiring that a copy of all communications addressed to any member of the Board of Directors in his or her capacity as a Director be promptly provided to the Secretary of the Company for distribution to all other members of the Board of Directors. All Directors will review any communication from a shareholder directed to the Board of Directors or to any one or more individual Board members in such capacity. The President and Chief Executive Officer of the Company will determine if any shareholder communication not addressed to Board members should be reviewed by the Board.

OTHER MATTERS

Management of the Company knows of no other matters that will be presented for consideration at the 2024 Annual Meeting of Shareholders other than those stated in the Notice of Annual Meeting of Shareholders, which is part of this Proxy Statement, and management does not intend to present any such other business. If any other matters do properly come before the meeting, it is intended that the persons named in the accompanying proxy will vote thereon in accordance with their judgment. The proxy will also have the power to vote for the adjournment of the meeting from time to time.

A copy of the Annual Report of the Company for the year ended December 31, 2023 is being mailed to shareholders together with this Proxy Statement.

Date: March 25, 2024

By Order of the Board of Directors



Merchants Financial Group, Inc.
102 E. 3rd Street
Winona, MN 55987

Gregory M. Evans
Chief Executive Officer and President